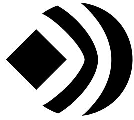

SNC · LAVALIN

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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2018 and 2017

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	**September 30 2018**	December 31 2017
ASSETS			
Current assets			
Cash and cash equivalents		**$ 735,915**	$ 706,531
Restricted cash		**21,773**	20,932
Trade receivables		**1,425,756**	1,445,859
Contract assets		**1,824,736**	–
Contracts in progress		**–**	1,329,861
Inventories		**107,661**	110,237
Other current financial assets		**177,445**	442,500
Other current non-financial assets		**467,660**	450,877
Assets of disposal group classified as held for sale and assets held for sale	15	**54,278**	107,994
Total current assets		**4,815,224**	4,614,791
Property and equipment		**450,886**	414,138
Capital investments accounted for by the equity method	4	**351,094**	296,664
Capital investments accounted for by the cost method	4	**487**	55,614
Goodwill	17	**6,227,683**	6,323,440
Intangible assets related to business combinations		**943,996**	1,089,837
Deferred income tax asset		**648,310**	545,551
Non-current portion of receivables under service concession arrangements		**324,064**	273,340
Other non-current financial assets		**22,345**	44,321
Other non-current non-financial assets		**128,077**	104,810
Total assets		**$ 13,912,166**	$ 13,762,506
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,192,640**	$ 2,176,947
Contract liabilities		**918,724**	–
Downpayments on contracts		**–**	149,388
Deferred revenues		**–**	758,392
Other current financial liabilities		**255,719**	264,724
Other current non-financial liabilities		**567,287**	584,102
Current portion of provisions		**339,909**	174,534
Short-term debt and current portion of long-term debt:			
Recourse	14	**1,051,725**	318,757
Non-recourse	14	**56,213**	15,566
Liabilities of disposal group classified as held for sale	15	**5,653**	60,440
Total current liabilities		**5,387,870**	4,502,850
Long-term debt:			
Recourse	14	**1,171,142**	1,026,782
Limited recourse	14	**979,428**	1,475,177
Non-recourse	14	**336,864**	297,398
Other non-current financial liabilities		**42,553**	15,425
Non-current portion of provisions		**647,091**	791,060
Other non-current non-financial liabilities		**53,001**	53,367
Deferred income tax liability		**360,575**	377,225
Total liabilities		**8,978,524**	8,539,284
Equity			
Share capital		**1,805,080**	1,801,733
Retained earnings		**3,031,947**	3,145,424
Other components of equity	9	**94,259**	277,974
Equity attributable to SNC-Lavalin shareholders		**4,931,286**	5,225,131
Non-controlling interests		**2,356**	(1,909)
Total equity		**4,933,642**	5,223,222
Total liabilities and equity		**$ 13,912,166**	$ 13,762,506

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2018

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	**175,488**	**$ 1,801,733**	**$ 3,145,424**	**$ 277,974**	**$ 5,225,131**	**$ (1,909)**	**$ 5,223,222**
Transitional adjustments on adoption of new accounting standards (Note 2B)	**–**	**–**	**(327,387)**	**5,448**	**(321,939)**	**369**	**(321,570)**
Adjusted balance at beginning of the period	**175,488**	**1,801,733**	**2,818,037**	**283,422**	**4,903,192**	**(1,540)**	**4,901,652**
Net income for the period	**–**	**–**	**281,826**	**–**	**281,826**	**644**	**282,470**
Other comprehensive income (loss) for the period	**–**	**–**	**83,867**	**(189,163)**	**(105,296)**	**8**	**(105,288)**
Total comprehensive income (loss) for the period	**–**	**–**	**365,693**	**(189,163)**	**176,530**	**652**	**177,182**
Dividends declared (Note 7)	**–**	**–**	**(151,137)**	**–**	**(151,137)**	**–**	**(151,137)**
Shares issued under stock option plans	**66**	**3,347**	**(646)**	**–**	**2,701**	**–**	**2,701**
Capital contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**129**	**129**
Measurement of a loan from a non-controlling interest at its initial fair value (Notes 10D and 14E)	**–**	**–**	**–**	**–**	**–**	**5,155**	**5,155**
Non-controlling interests arising on acquisition of Linxon (Note 16C)	**–**	**–**	**–**	**–**	**–**	**(2,040)**	**(2,040)**
Balance at end of the period	**175,554**	**$ 1,805,080**	**$ 3,031,947**	**$ 94,259**	**$ 4,931,286**	**$ 2,356**	**$ 4,933,642**

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2017

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	150,357	$ 554,839	$ 2,959,366	$ 359,017	$ 3,873,222	$ 23,112	$ 3,896,334
Net income for the period	–	–	329,679	–	329,679	1,004	330,683
Other comprehensive income (loss) for the period	–	–	72,012	(249,920)	(177,908)	129	(177,779)
Total comprehensive income (loss) for the period	–	–	401,691	(249,920)	151,771	1,133	152,904
Dividends declared (Note 7)	–	–	(130,043)	–	(130,043)	–	(130,043)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(854)	(854)
Stock option compensation	–	–	139	–	139	–	139
Shares issued under stock option plans	225	10,830	(2,188)	–	8,642	–	8,642
Acquisition of non-controlling interests (Note 19)	–	–	(35,759)	–	(35,759)	(23,740)	(59,499)
Shares issued in exchange of subscription receipts (Note 10E)	24,880	1,234,732	–	–	1,234,732	–	1,234,732
Additional non-controlling interests arising on acquisition of Atkins (Note 16A)	–	–	–	–	–	(1,623)	(1,623)
Balance at end of the period	175,462	$ 1,800,401	$ 3,193,206	$ 109,097	$ 5,102,704	$ (1,972)	$ 5,100,732

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2018**	2017 [1]	**2018**	2017 [1]
Revenues from:					
E&C		**$ 2,496,819**	$ 2,572,483	**$ 7,333,936**	$ 6,228,968
Capital investments accounted for by the consolidation or cost methods		**13,619**	14,490	**37,217**	42,585
Capital investments accounted for by the equity method		**52,552**	45,766	**150,350**	145,329
		2,562,990	2,632,739	**7,521,503**	6,416,882
Direct cost of activities		**2,316,761**	2,380,204	**6,819,786**	5,838,797
Total segment EBIT [2]		**246,229**	252,535	**701,717**	578,085
Corporate selling, general and administrative expenses		**(2,467)**	28,915	**52,695**	100,585
Impairment loss arising from expected credit losses		**657**	–	**1,311**	–
Loss (gain) arising on financial assets at fair value through profit or loss		**4,822**	(312)	**4,424**	1,324
Net class action lawsuits settlement expense	13B	**–**	–	**88,000**	–
Restructuring costs		**1,952**	1,661	**4,533**	26,792
Acquisition-related costs and integration costs	16D	**10,576**	42,284	**34,067**	98,919
Amortization of intangible assets related to business combinations		**45,390**	35,403	**154,904**	65,067
Gain on disposal/partial disposals of Capital investments	4A	**–**	(36,675)	**(62,714)**	(42,078)
Loss (gain) from disposals of E&C businesses		**(77)**	–	**235**	(1,006)
Gain on disposal of the head office building	18	**–**	–	**–**	(115,101)
EBIT [2]		**185,376**	181,259	**424,262**	443,583
Financial expenses	5	**44,838**	44,454	**132,167**	76,105
Financial income and net foreign exchange losses (gains)	5	**(817)**	(3,587)	**(9,021)**	(8,646)
Earnings before income taxes		**141,355**	140,392	**301,116**	376,124
Income taxes		**20,381**	39,186	**18,646**	45,441
Net income for the period		**$ 120,974**	$ 101,206	**$ 282,470**	$ 330,683
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ 120,743**	$ 103,576	**$ 281,826**	$ 329,679
Non-controlling interests		**231**	(2,370)	**644**	1,004
Net income for the period		**$ 120,974**	$ 101,206	**$ 282,470**	$ 330,683
Earnings per share (in $)					
Basic		**$ 0.69**	$ 0.59	**$ 1.61**	$ 2.08
Diluted		**$ 0.69**	$ 0.59	**$ 1.60**	$ 2.08
Weighted average number of outstanding shares (in thousands)	6				
Basic		**175,554**	174,893	**175,537**	158,675
Diluted		**175,619**	174,989	**175,610**	158,801

[1] Comparative figures have been revised (see Note 2C)

[2] Earnings before interest and income taxes (“EBIT”)

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2018			2017		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ 120,743**	**$ 231**	**$ 120,974**	$ 103,576	$ (2,370)	$ 101,206
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 9)	**(189,682)**	**5**	**(189,677)**	(257,014)	105	(256,909)
Available-for-sale financial assets (Note 9)	**–**	**–**	**–**	172	–	172
Cash flow hedges (Note 9)	**(1,707)**	**–**	**(1,707)**	(20,583)	–	(20,583)
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	**771**	**–**	**771**	55,228	–	55,228
Income taxes (Note 9)	**(944)**	**–**	**(944)**	(11,948)	–	(11,948)
Total of items that will be reclassified subsequently to net income	**(191,562)**	**5**	**(191,557)**	(234,145)	105	(234,040)
Financial assets at fair value through other comprehensive income (Note 9)	**210**	**–**	**210**	–	–	–
Income taxes (Note 9)	**27**	**–**	**27**	–	–	–
Remeasurement on defined benefit plans (Note 9)	**35,080**	**–**	**35,080**	85,488	–	85,488
Income taxes (Note 9)	**(5,817)**	**–**	**(5,817)**	(14,450)	–	(14,450)
Total of items that will not be reclassified subsequently to net income	**29,500**	**–**	**29,500**	71,038	–	71,038
Total other comprehensive income (loss) for the period	**(162,062)**	**5**	**(162,057)**	(163,107)	105	(163,002)
Total comprehensive income (loss) for the period	**$ (41,319)**	**$ 236**	**$ (41,083)**	$ (59,531)	$ (2,265)	$ (61,796)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2018			2017		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 281,826**	**$ 644**	**$ 282,470**	$ 329,679	$ 1,004	$ 330,683
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 9)	**(180,435)**	**8**	**(180,427)**	(279,053)	129	(278,924)
Available-for-sale financial assets (Note 9)	**–**	**–**	**–**	3,603	–	3,603
Cash flow hedges (Note 9)	**(10,955)**	**–**	**(10,955)**	(16,388)	–	(16,388)
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	**672**	**–**	**672**	54,881	–	54,881
Income taxes (Note 9)	**1,555**	**–**	**1,555**	(12,963)	–	(12,963)
Total of items that will be reclassified subsequently to net income	**(189,163)**	**8**	**(189,155)**	(249,920)	129	(249,791)
Financial assets at fair value through other comprehensive income (Note 9)	**21**	**–**	**21**	–	–	–
Income taxes (Note 9)	**52**	**–**	**52**	–	–	–
Remeasurement on defined benefit plans (Note 9)	**100,837**	**–**	**100,837**	85,535	–	85,535
Income taxes (Note 9)	**(17,043)**	**–**	**(17,043)**	(13,523)	–	(13,523)
Total of items that will not be reclassified subsequently to net income	**83,867**	**–**	**83,867**	72,012	–	72,012
Total other comprehensive income (loss) for the period	**(105,296)**	**8**	**(105,288)**	(177,908)	129	(177,779)
Total comprehensive income for the period	**$ 176,530**	**$ 652**	**$ 177,182**	$ 151,771	$ 1,133	$ 152,904

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2018**	2017	**2018**	2017
Operating activities					
Net income for the period		**$ 120,974**	$ 101,206	**$ 282,470**	$ 330,683
Income taxes received (paid)		**9,425**	(19,246)	**6,017**	(13,237)
Interest paid from E&C		**(45,315)**	(47,890)	**(134,730)**	(77,345)
Interest paid from Capital investments		**(373)**	(9,965)	**(7,505)**	(21,622)
Other reconciling items	10A	**119,904**	68,408	**290,798**	28,358
		204,615	92,513	**437,050**	246,837
Net change in non-cash working capital items	10B	**(188,796)**	(435,286)	**(628,365)**	(858,888)
Net cash generated from (used for) operating activities		**15,819**	(342,773)	**(191,315)**	(612,051)
Investing activities					
Acquisition of property and equipment		**(36,061)**	(36,146)	**(104,729)**	(89,191)
Proceeds from disposal of the head office building	18	**–**	–	**–**	173,288
Costs associated to a foreign exchange option	16D	**–**	–	**–**	(54,134)
Recovery associated to a foreign exchange option	16D	**–**	–	**–**	5,407
Net cash inflow (outflow) on acquisition of businesses	16	**8,314**	(3,119,414)	**8,314**	(3,119,414)
Change in restricted cash position		**(5,192)**	21,296	**(1,069)**	31,049
Increase in receivables under service concession arrangements		**(21,893)**	(53,506)	**(98,850)**	(156,750)
Recovery of receivables under service concession arrangements		**16,320**	26,998	**53,656**	87,771
Decrease in short-term and long-term investments		**–**	4,653	**1,707**	37,810
Net cash inflow on disposal/partial disposal of a Capital investment accounted for by the equity method	4A	**–**	–	**92,214**	23,270
Net cash inflow on disposal of a Capital investment accounted for by the consolidation method	4A	**–**	89,892	**–**	89,892
Other		**(10,495)**	5,787	**(4,725)**	10,422
Net cash used for investing activities		**(49,007)**	(3,060,440)	**(53,482)**	(2,960,580)
Financing activities					
Increase in recourse debt	10C, 10D	**321,209**	1,498,738	**2,166,274**	1,659,169
Payment for recourse debt issue costs	10C	**(59)**	(8,167)	**(4,275)**	(8,167)
Repayment of recourse debt	10C	**(266,111)**	(810,703)	**(1,327,216)**	(971,134)
Increase in limited recourse debt	10D	**–**	1,500,000	**–**	1,500,000
Payment for limited recourse debt issue costs	10D	**–**	(26,648)	**–**	(26,648)
Repayment of limited recourse debt	10D, 14C	**–**	–	**(500,000)**	–
Increase in non-recourse debt	10D	**62,245**	–	**92,029**	–
Repayment of non-recourse debt	10D	**(7,243)**	(2,420)	**(7,243)**	(5,969)
Proceeds from exercise of stock options		**–**	1,780	**2,701**	8,642
Dividends paid to SNC-Lavalin shareholders	7, 10D	**(50,384)**	(47,892)	**(151,137)**	(130,043)
Proceeds from shares issued in exchange of subscription receipts	10E	**–**	1,220,790	**–**	1,220,790
Amount paid for acquisition of non-controlling interest	19	**–**	(28,279)	**–**	(59,499)
Other	10D	**(357)**	11,590	**4,274**	12,001
Net cash generated from financing activities		**59,300**	3,308,789	**275,407**	3,199,142
Decrease from exchange differences on translating cash and cash equivalents		**(11,605)**	(9,392)	**(1,265)**	(3,277)
Net increase (decrease) in cash and cash equivalents		**14,507**	(103,816)	**29,345**	(376,766)
Cash and cash equivalents at beginning of period [(1)]		**721,408**	782,534	**706,570**	1,055,484
Cash and cash equivalents at end of period		**$ 735,915**	$ 678,718	**$ 735,915**	$ 678,718
Presented on the statement of financial position as follows:					
Cash and cash equivalents		**$ 735,915**	$ 642,325	**$ 735,915**	$ 642,325
Assets of disposal group classified as held for sale and assets held for sale		**–**	36,393	**–**	36,393
		$ 735,915	$ 678,718	**$ 735,915**	$ 678,718

(1) The amount of $706.6 million as at December 31, 2017 included $39 thousand of cash and cash equivalents comprised within “Assets of disposal group classified as held for sale and assets held for sale”.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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1. DESCRIPTION OF BUSINESS

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3. SNC-Lavalin Group Inc. is a public company listed on the Toronto Stock Exchange in Canada. Reference to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company provides consulting, design, engineering, construction as well as sustaining capital and operations and maintenance expertise, which together are referred to as "E&C", through its network of offices in over 50 countries, and is currently working on projects around the world. SNC-Lavalin also makes select investments that are complementary to its other activities, which are referred to as "Capital investments" or "Capital" in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

The Company's financial statements are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34").

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2017 were consistently applied to all periods presented, except for the change in an accounting policy and the accounting policies affected by new standards, amendments and an interpretation adopted in the nine-month period ended September 30, 2018, as described in Notes 2B and 2C.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and remained unchanged for all periods presented, except for the new judgments and estimates related to the adoption of IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, as described in Note 2D.

The Company's financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; ii) the defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, an investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by that investment entity; and iv) liability resulting from a contingent consideration arrangement in a business combination, which is measured at its acquisition-date fair value. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2017 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on October 31, 2018.

2. BASIS OF PREPARATION (CONTINUED)

B) NEW STANDARDS, AMENDMENTS AND AN INTERPRETATION ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

The following standards, amendments to existing standards and interpretation have been adopted by the Company on January 1, 2018:

- IFRS 9, *Financial Instruments*, ("IFRS 9") covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.
- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes previous revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, ("IFRS 2") provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

Except for IFRS 9, IFRS 15, amendments to IFRS 15 and IFRS 2, the amendments and interpretation listed above did not have a significant impact on the Company's financial statements.

ADOPTION OF IFRS 9

Transition

IFRS 9, *Financial Instruments*, replaced IAS 39, *Financial Instruments: Recognition and Measurement*, ("IAS 39") and was applied in accordance with transitional provisions of IFRS 9, which require an entity to apply IFRS 9 in accordance with IAS 8, *Accounting Policies, Change in Accounting Estimates and Errors*. The transitional provisions of IFRS 9 for classification and measurement of financial assets and financial liabilities oblige an entity to apply IFRS 9 requirements retrospectively.

As per the optional exemption in IFRS 9, the Company elected not to restate comparative figures.

IFRS 9 is not applied to financial assets and financial liabilities that have been derecognized at the date of initial application (i.e., the date when an entity first applies the requirements in IFRS 9), which is January 1, 2018 for SNC-Lavalin.

Main changes

In general, the main changes introduced by IFRS 9 relate to the classification and measurement of financial assets, the introduction of a new impairment model based on expected credit losses (rather than incurred losses as per IAS 39) and hedge accounting.

2. BASIS OF PREPARATION (CONTINUED)

Classification and measurement of financial assets and financial liabilities

The following table presents the carrying amount of financial assets held by SNC-Lavalin at December 31, 2017 by measurement category under IAS 39 and under IFRS 9:

		IAS 39		IFRS 9	
	NOTE	MEASUREMENT CATEGORY [(1)]	CARRYING AMOUNT	MEASUREMENT CATEGORY [(1)]	CARRYING AMOUNT
Cash and cash equivalents		FVTPL	$ 706,531	FVTPL	$ 706,531
Restricted cash		FVTPL	20,932	FVTPL	20,932
Trade receivables	A	Amortized cost	1,445,859	Amortized cost	1,442,815
Other current financial assets:					
Derivative financial instruments used for hedges		FVTPL	37,967	FVTPL	37,967
Financial assets at FVTPL		FVTPL	5,271	FVTPL	5,271
Other current financial assets		Amortized cost	399,262	Amortized cost	399,262
Capital investments accounted for by the cost method:					
At fair value	B	FVTOCI	52,708	FVTPL	52,708
At cost		Cost	2,350	FVTOCI	1,377
At amortized cost		Amortized cost	556	Amortized cost	556
Non-current portion of receivables under service concession arrangements		Amortized cost	273,340	Amortized cost	273,340
Other non-current financial assets:					
Derivative financial instruments		FVTPL	7,602	FVPTL	7,602
Derivative financial instruments used for hedges		FVTPL	14,552	FVTPL	14,552
At cost		Cost	1,783	FVTOCI	1,346
At amortized cost		Amortized cost	20,384	Amortized cost	20,384
Total			$ 2,989,097		$ 2,984,643

(1) FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income

A. See section "*New impairment model*" below.

B. Relates to Astoria Project Partners II LLC, a Capital investment accounted for by the cost method. Under IFRS 9, since the contractual terms of this investment do not give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Company did not make an irrevocable election to measure this investment at FVTOCI, the Company classified this investment in the FVTPL measurement category. As at January 1, 2018, the cumulative gain of $8.9 million net of taxes related to this available-for-sale financial asset included in the "Other components of equity" was reclassified to the Company's opening retained earnings (see Note 9).

2. BASIS OF PREPARATION (CONTINUED)

The following table presents the carrying amount of financial liabilities held by SNC-Lavalin at December 31, 2017 by measurement category under IAS 39 and under IFRS 9:

	IAS 39		IFRS 9	
	MEASUREMENT CATEGORY [1]	CARRYING AMOUNT	MEASUREMENT CATEGORY [1]	CARRYING AMOUNT
Trade payables	Amortized cost	$ 2,176,947	Amortized cost	$ 2,176,947
Downpayments on contracts	Amortized cost	149,388	See [2]	See [2]
Other current financial liabilities:				
Derivative financial instruments used for hedges	FVTPL	20,775	FVTPL	20,775
Other current financial liabilities	Amortized cost	243,949	Amortized cost	243,949
Provisions	Amortized cost	52,519	Amortized cost	52,519
Short-term debt and long-term debt	Amortized cost	3,133,680	Amortized cost	3,133,680
Other non-current financial liabilities:				
Derivative financial instruments used for hedges	FVTPL	1,303	FVTPL	1,303
Other non-current financial liabilities	Amortized cost	14,122	Amortized cost	14,122
Total		$ 5,792,683		$ 5,643,295

[1] FVTPL: Fair value through profit or loss

[2] Presented as part of "Contract assets/Contract liabilities" in 2018

New impairment model

The IAS 39 incurred credit loss model was replaced by the IFRS 9 expected credit loss model. Expected credit losses are the present value of all cash shortfalls over the expected life of the financial instrument.

The new impairment model generally requires entities to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Although IFRS 9 does not require the loss allowance to be recognized at initial recognition of the new financial asset but rather at the next reporting date, the effect is the same as to recognizing a day one loss. This is different from IAS 39, under which no impairment was recognized unless and until a loss event occurs after the initial recognition of a financial asset.

Under IFRS 9, impairment is measured as either: i) 12-month expected credit losses; or ii) lifetime expected credit losses.

The Company applies the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are in scope of IFRS 15 and that do not have a significant financing component. The Company applies the 12-month expected credit losses to its receivables under service concession arrangements that have a significant financing component.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

	TRADE RECEIVABLES	CONTRACT ASSETS	RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS
Model	Life-time expected credit losses	Life-time expected credit losses	12-month expected credit losses
Allowances as at December 31, 2017	$ 163,985	$ 154,794	$ –
Additional loss allowance recognized on January 1, 2018	3,044	2,471	–
Impairment allowance under IFRS 9 as at January 1, 2018	**$ 167,029**	**$ 157,265**	**$ –**

As at January 1, 2018, the current portion of receivables under service concession arrangements amounted to $nil, which resulted in a $nil impairment allowance based on a 12-month expected credit loss model.

Hedge accounting

As permitted by IFRS 9, the Company continues to apply the requirements contained in IAS 39 for hedge accounting.

2. BASIS OF PREPARATION (CONTINUED)

ADOPTION OF IFRS 15 AND AMENDMENTS TO IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition for contracts with customers. Such model requires an entity to: 1) identify the contract with the customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also provides new requirements on presentation and disclosures.

Transition

The Company elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients upon adoption of IFRS 15 on January 1, 2018:

PRACTICAL EXPEDIENT	DESCRIPTION
Completed contract	The Company applied IFRS 15 retrospectively only to contracts that are not completed contracts as at January 1, 2018.
Contract modifications	The Company did not separately evaluate the effects of each contract modification prior to January 1, 2018. Instead, it reflected the aggregate effect of all modifications that occurred prior to January 1, 2018 when: i) identifying the satisfied and unsatisfied performance obligations; ii) determining the transaction price; and iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

Change orders and claims

Change orders and claims, referred to as contract modifications, were previously recognized as per guidance provided in IAS 11, *Construction Contracts,* (“IAS 11”). Under such guidance, revenue could be recognized on contract modifications only when certain conditions were met, including the fact that it was **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications, but such guidance is based, among other factors, on the fact that the contract modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, some revenue recognized under IAS 11 was reversed as at January 1, 2018, resulting in an approximate $210 million adjustment to equity on that date. Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Measure of anticipated revenues and determination of progress

Under IFRS 15, the amount of anticipated revenue used when determining the amount of revenue to be recognized must be based on contracts with legally enforceable rights and obligations. As a result, certain contracts under which the Company anticipates some volume of work based on discussions with the customer or other indicators, but for which formal purchase orders or work orders need to be issued by the customer in order to formalize the exact scope of work, were assessed to determine when the anticipated revenue should be included in the transaction price, resulting in a decrease in the Company’s cumulative revenues recognized on these contracts as at January 1, 2018 (approximately $105 million adjustment to equity on that date).

Furthermore, for projects having revenue recognized based on the stage of completion method using a cost input method, the Company was accounting for its assurance-type warranty costs the same way as other project costs. As a result, the Company did not carry a provision for such expected warranty costs. Rather, it recognized such costs as they were incurred, which in turn was included in the measure of progress of the project based on the stage of completion method and, as such, generated revenue.

Under IFRS 15, these assurance-type warranty costs are to be excluded from the measure of progress of projects for which revenue is recognized over time using a cost input method. Such costs will rather be recognized as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* based on the advancement of the projects, and the provision recognized will then either be used when costs are incurred or reversed if it is no longer needed.

In addition to these warranty-related costs, the Company reviewed its other project costs on contracts for which revenue is recognized over time to determine if each of these costs is contributing to the transfer of control of the goods or services to the customer. Such review resulted in an insignificant impact on the Company’s equity as at January 1, 2018.

2. BASIS OF PREPARATION (CONTINUED)

Presentation

In accordance with IFRS 15, the Company changed its presentation of contract-related assets and liabilities. As such, the Company now presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its accounts receivable. Contract assets and accounts receivable are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (accounts receivable) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

The Company's contract assets and contract liabilities include mainly the balances that were presented as "Contracts in progress", "Retentions on client contracts" included in "Other current financial assets", "Deferred revenues" and "Downpayments on contracts" in the Company's consolidated statement of financial position until December 31, 2017.

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's interim condensed consolidated financial statements for the nine-month period ended September 30, 2018, as well as additional disclosures to be provided in the Company's 2018 audited annual consolidated financial statements.

ADOPTION OF AMENDMENTS TO IFRS 2

The impact from the adoption of amendments to IFRS 2 relate to share-based payment transactions that are unvested at the date that an entity first applies the amendments, i.e., January 1, 2018 for SNC-Lavalin, and to share-based payment transactions with a grant date on or after that date. As per the amendments to IFRS 2, vesting conditions, other than market conditions, are to be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amount of the liability has to be based on the best available estimate of the number of awards that are expected to vest.

As at January 1, 2018, the Company estimated the number of its unvested share units that will eventually vest and recognized the effect of the remeasurement in the opening retained earnings of $4.2 million ($3.0 million net of taxes), with a corresponding decrease to the share unit plans' liabilities.

The Company adopted the amendments to IFRS 2 in accordance with its transitional provisions and did not restate comparative figures.

IMPACT FROM THE ADOPTION OF IFRS 9, IFRS 15 AND AMENDMENTS TO IFRS 2

The following table presents the impact of adopting IFRS 9, IFRS 15 and amendments to IFRS 2 on the Company's equity as at January 1, 2018:

	SHARE CAPITAL	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at December 31, 2017	$ 1,801,733	$ 3,145,424	$ 277,974	$ (1,909)	$ 5,223,222
Transitional adjustments on adoption of new accounting standards:					
Adoption of IFRS 9	–	3,396	(8,874)	–	(5,478)
Adoption of IFRS 15	–	(333,826)	14,322	369	(319,135)
Adoption of amendments to IFRS 2	–	3,043	–	–	3,043
	–	(327,387)	5,448	369	(321,570)
Balance as at January 1, 2018	**$ 1,801,733**	**$ 2,818,037**	**$ 283,422**	**$ (1,540)**	**$ 4,901,652**

2. BASIS OF PREPARATION (CONTINUED)

C) CHANGES IN ACCOUNTING POLICIES AND IN PRESENTATION

Financial instruments

Financial assets and liabilities

Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY – SUBSEQUENTLY MEASURED AT	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss ("FVTPL")	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income ("FVTOCI")	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets.
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

Impairment of assets subsequently measured at amortized cost

For "Trade receivables" and "Contract assets", the amount of the loss allowance recognized is the amount equal to lifetime expected credit losses that result from all possible default events over the expected life of a financial instrument.

For "Non-current portion of receivables under service concession arrangements", if the credit risk has not increased significantly since initial recognition, the amount of the loss allowance recognized is the amount equal to 12-month expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Write-off

The gross carrying amount of a financial asset is reduced when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Revenue recognition

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method better reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying such performance obligations. Under certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders.

2. BASIS OF PREPARATION (CONTINUED)

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project which span more than one performance obligation, such as Engineering, Procurement and Construction ("EPC") or Engineering, Procurement, and Construction and Management ("EPCM"), Operations and Maintenance ("O&M") and/or Capital investments. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company usually accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as part of an existing contract, in which case the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification. Under certain circumstances, the Company might account for a contract modification as a separate contract, in which case revenue is recognized separately on the contract modification.

The Company recognizes assurance-type warranty costs as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, based on the advancement of the projects, and the provision recognized is then either used when costs are incurred or reversed if it is no longer needed.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

The Company presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

REVENUES FROM CAPITAL INVESTMENTS

Revenues from **Capital investments** include the following:

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	**Revenues** that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's **share of net results** of the Capital investments or **dividends** from its Capital investments for which the carrying amount is $nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established.
Cost method	**Dividends and distributions** from the Capital investments

Share-based payments

Share units

The 2017 Performance Share Unit plan ("2017 PSU plan"), 2014 Performance Share Unit plan ("2014 PSU plan"), Restricted Share Unit plan ("RSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share units". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period. The fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest.

2. BASIS OF PREPARATION (CONTINUED)

<u>*Segment disclosures and income statement*</u>

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $370.4 million and of $639.4 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month and nine-month periods ended September 30, 2017, respectively.

At the same time, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, segment EBIT now includes an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the segment EBIT are mainly related to information technology and to employee benefits and incentives. These are allocated on a per employee basis for the information technology costs and on an employee compensation basis for the benefits and incentives. The Company believes that such allocation improves the measure of profitability of its reportable segments by better reflecting the overall costs incurred to support its operations. In addition, the Company introduced the measure of Total segment EBIT, which represents the sum of all segment EBIT and non-controlling interests before income taxes. Such measure of Total segment EBIT is now aligned with the presentation adopted in the Company's statement of income and corresponds to the Company's revenues less direct costs of activities.

Furthermore, the Company initiated a strategic realignment of its organizational structure aimed at integrating the Atkins business, more effectively serving its clients worldwide and strengthening its position for longer-term growth. This realignment, which became effective January 1, 2018, resulted in a change to the Company's reportable segments, which are now: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; vii) Engineering, Design and Project Management ("EDPM"); and viii) Capital. See Note 3 for description of each of the segments.

In addition, concurrent to the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, the Company presents "Gain (loss) arising on financial assets at fair value through profit or loss" separately in its income statement. This change resulted in a reclassification of a gain of $0.3 million for the three-month period ended September 30, 2017 and of a loss of $1.3 million for the nine-month period ended September 30, 2017 related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans' liabilities from "Corporate selling, general and administrative expenses" to "Gain (loss) arising on financial assets at fair value through profit or loss".

These changes were made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of 2017 figures.

D) CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

<u>*Revenue recognition*</u>

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations and the use of the appropriate revenue recognition method for each performance obligation are the main steps involved in the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. As such, the Company needs to estimate the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such estimated amount then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

2. BASIS OF PREPARATION (CONTINUED)

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while consulting, design, engineering and construction activities usually do not exceed 4 years, operations and maintenance activities include contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain arrangements usually results in significant estimates related to scheduling and costs. The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

E) STANDARD AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted for entities that have also adopted IFRS 15:

- IFRS 16, *Leases*, ("IFRS 16") provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17, *Leases*, ("IAS 17") and its associated interpretative guidance.

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted:

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Company is currently evaluating the impact of adopting this standard and these amendments on its financial statements.

Considerations for the Implementation of IFRS 16

IFRS 16 is required to be applied for annual reporting periods beginning on or after January 1, 2019. SNC-Lavalin is not early adopting IFRS 16.

IFRS 16 introduces a single lease accounting model for lessees which will result in the recognition of a right-of-use asset, as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expenses that were recognized under IAS 17.

2. BASIS OF PREPARATION (CONTINUED)

IFRS 16 can be applied using one of the following two methods: i) retrospectively to each prior reporting period presented applying IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; or ii) retrospectively with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application (the "Modified Retrospective Method"). The Company has elected to apply IFRS 16 using the Modified Retrospective Method. Under this method, the lessee can elect, on a lease-by-lease basis, to measure the right-of-use asset based on two methodologies. The first methodology consists in recognizing a right-of-use asset at a value equal to the lease liability, adjusted for the amount of prepaid or accrued lease payments, at the date of transition. The second methodology consists in measuring the right-of-use asset at the date of transition as if IFRS 16 had been applied since the commencement date of the lease, but discounted using a rate at the date of initial application. In any event, the cumulative effect of initially applying IFRS 16, if any, will be recognized in retained earnings at January 1, 2019.

The implementation of IFRS 16 allows for certain optional practical expedients at the date of initial application, on a lease-by-lease basis, such as: the use of a discount rate for a portfolio of leases with similar characteristics; the use of an onerous lease provision instead of an impairment review on the right-of-use asset; and the exemption from recognizing a right-of-use asset and a lease liability when the lease term ends within 12 months of the date of initial application.

Furthermore, IFRS 16 provides for certain other optional exemptions allowing the lessee not recognizing right-of-use assets and lease liabilities on certain leases, such as: when the underlying asset is of low value, which can be applied on a lease-by-lease basis, or when the lease is short-term, which can be applied by class of underlying asset.

The adoption of IFRS 16 requires the exercise of judgment and the use of assumptions, such as determining if an option to renew or terminate a lease is reasonably certain, determining the discount rate or determining if a lease modification should be accounted as a new lease or not.

The Company is still assessing the impact of the application of IFRS 16 on its financial statements. While the Company has decided to exclude certain low value items and short-term leases when implementing IFRS 16, it has not yet completed the determination of all optional exemptions to be applied. Nevertheless, the Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities.

As at the end of the third quarter of 2018, the Company is continuing the review of its lease portfolio and is working on changing certain processes and internal controls, including the implementation of a new lease management and accounting system. The Company's current implementation roadmap extends into the fourth quarter of 2018; therefore, it will report progress achieved over the course of 2018.

3. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Nuclear**; iv) **Clean Power**; v) **Thermal Power**; vi) **Infrastructure**; vii) **Engineering, Design and Project Management** ("**EDPM**"); and viii) **Capital**.

The description of each of the segments is as follows:

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (operational and capital expenditures).

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

Clean Power combines the Company's established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage, providing fully integrated life-of-asset services capabilities.

Thermal Power includes projects in thermal power generation, a market that the Company is currently exiting.

3. SEGMENT DISCLOSURES (CONTINUED)

Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

EDPM incorporates all engineering, design and project management services around the world, except for the Canadian market which remains fully integrated within Infrastructure segment. It also harnesses our enhanced capabilities in intelligent mobility and digital asset management. Projects are mainly in transportation, including rail, mass transit and roads, infrastructure, aerospace, defence and security & technology. Some projects are primarily funded by the public sector and include projects with several departments of transportation, as well as the water treatment, environment, city and county markets, and the intermodal business.

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

Additional information on revenue

The adoption of IFRS 15 in 2018 resulted in additional disclosures of financial information related to the disaggregation of revenue from contracts with customers. As such, the Company added details, after the segment information table, on 2018 revenues by geographic area and type of contracts, with a reconciliation between revenues from contracts with customers under the scope of IFRS 15 and total revenues.

While the geographic areas presented are consistent with those disclosed annually by the Company, the types of contracts presented are defined as follow:

Reimbursable and engineering service contracts: Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap. Engineering service contracts include: i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks; and ii) O&M contracts.

EPC fixed-price contracts: Under EPC fixed-price contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended September 30, 2018 and 2017:

THREE MONTHS ENDED SEPTEMBER 30	2018				2017 [1]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 181,412**	**$ (3,291)**	**$ –**	**$ (3,291)**	$ 106,957	$ 833	$ –	$ 833
Oil & Gas	**662,729**	**54,892**	**–**	**54,892**	872,432	56,745	–	56,745
Nuclear	**217,512**	**36,117**	**–**	**36,117**	234,577	42,386	–	42,386
Clean Power	**85,666**	**2,740**	**–**	**2,740**	113,447	21,616	–	21,616
Thermal Power	**9,516**	**(6,122)**	**–**	**(6,122)**	71,118	(40,643)	–	(40,643)
Infrastructure	**554,517**	**28,919**	**–**	**28,919**	458,549	52,543	–	52,543
EDPM	**785,467**	**76,979**	**–**	**76,979**	715,403	60,586	–	60,586
Total E&C segments	**2,496,819**	**190,234**	**–**	**190,234**	2,572,483	194,066	–	194,066
Capital	**66,171**	**–**	**55,137**	**55,137**	60,256	–	60,839	60,839
	$ 2,562,990			**245,371**	$ 2,632,739			254,905
Reversal of non-controlling interests before income taxes included above		**858**	**–**	**858**		(2,370)	–	(2,370)
Total segment EBIT		**191,092**	**55,137**	**246,229**		191,696	60,839	252,535
Corporate selling, general and administrative expenses		**9,080**	**(6,613)**	**2,467**		(21,792)	(7,123)	(28,915)
Impairment loss arising from expected credit losses		**(657)**	**–**	**(657)**		–	–	–
Gain (loss) arising on financial assets at fair value through profit or loss		**(4,822)**	**–**	**(4,822)**		312	–	312
Restructuring costs		**(1,952)**	**–**	**(1,952)**		(1,661)	–	(1,661)
Acquisition-related costs and integration costs (Note 16D)		**(10,576)**	**–**	**(10,576)**		(42,284)	–	(42,284)
Amortization of intangible assets related to business combinations		**(45,390)**	**–**	**(45,390)**		(35,403)	–	(35,403)
Gain on disposal/partial disposal of a Capital investment (Note 4A)		**–**	**–**	**–**		–	36,675	36,675
Gain from disposals of E&C businesses		**77**	**–**	**77**		–	–	–
EBIT		**136,852**	**48,524**	**185,376**		90,868	90,391	181,259
Net financial expenses (Note 5)		**39,755**	**4,266**	**44,021**		38,268	2,599	40,867
Earnings before income taxes		**97,097**	**44,258**	**141,355**		52,600	87,792	140,392
Income taxes		**20,281**	**100**	**20,381**		25,945	13,241	39,186
Net income for the period		**$ 76,816**	**$ 44,158**	**$ 120,974**		$ 26,655	$ 74,551	$ 101,206
Net income (loss) attributable to:								
SNC-Lavalin shareholders				**$ 120,743**				$ 103,576
Non-controlling interests				**231**				(2,370)
Net income for the period				**$ 120,974**				$ 101,206

[1] Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the nine-month periods ended September 30, 2018 and 2017:

NINE MONTHS ENDED SEPTEMBER 30	2018				2017 [(1)]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	$ 433,012	$ 3,670	$ –	$ 3,670	$ 303,195	$ 12,462	$ –	$ 12,462
Oil & Gas	1,962,876	119,891	–	119,891	2,536,213	137,130	–	137,130
Nuclear	680,890	107,047	–	107,047	528,720	105,443	–	105,443
Clean Power	241,994	16,257	–	16,257	362,476	52,877	–	52,877
Thermal Power	63,711	(28,274)	–	(28,274)	268,043	(64,582)	–	(64,582)
Infrastructure	1,571,815	67,169	–	67,169	1,432,156	96,540	–	96,540
EDPM	2,379,638	252,174	–	252,174	798,165	66,093	–	66,093
Total E&C segments	7,333,936	537,934	–	537,934	6,228,968	405,963	–	405,963
Capital	187,567	–	162,406	162,406	187,914	–	171,118	171,118
	$ 7,521,503			700,340	$ 6,416,882			577,081
Reversal of non-controlling interests before income taxes included above		1,377	–	1,377		1,004	–	1,004
Total segment EBIT		539,311	162,406	701,717		406,967	171,118	578,085
Corporate selling, general and administrative expenses		(32,581)	(20,114)	(52,695)		(80,000)	(20,585)	(100,585)
Impairment loss arising from expected credit losses		(1,311)	–	(1,311)		–	–	–
Loss arising on financial assets at fair value through profit or loss		(3,939)	(485)	(4,424)		(1,324)	–	(1,324)
Net class action lawsuits settlement expense (Note 13B)		(88,000)	–	(88,000)		–	–	–
Restructuring costs		(4,533)	–	(4,533)		(26,792)	–	(26,792)
Acquisition-related costs and integration costs (Note 16D)		(34,067)	–	(34,067)		(98,919)	–	(98,919)
Amortization of intangible assets related to business combinations		(154,904)	–	(154,904)		(65,067)	–	(65,067)
Gain on disposals/partial disposal of Capital investments (Note 4A)		–	62,714	62,714		–	42,078	42,078
Gain (loss) from disposals of E&C businesses		(235)	–	(235)		1,006	–	1,006
Gain on disposal of the head office building (Note 18)		–	–	–		115,101	–	115,101
EBIT		219,741	204,521	424,262		250,972	192,611	443,583
Net financial expenses (Note 5)		115,950	7,196	123,146		58,795	8,664	67,459
Earnings before income taxes		103,791	197,325	301,116		192,177	183,947	376,124
Income taxes		11,830	6,816	18,646		29,456	15,985	45,441
Net income for the period		91,961	190,509	$ 282,470		$ 162,721	$ 167,962	$ 330,683
Net income attributable to:								
SNC-Lavalin shareholders				$ 281,826				$ 329,679
Non-controlling interests				644				1,004
Net income for the period				$ 282,470				$ 330,683

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below supplementary information such as its net income from E&C, its dividends from 407 International Inc. (“Highway 407 ETR”), and its net income from other Capital investments, as this information may be useful in assessing the Company’s value.

It should be noted that supplementary information provided in the following table does not reflect information related to the Company’s segments, but is rather an allocation of net income attributable to SNC-Lavalin shareholders between various components.

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Supplementary information:				
Net gain (loss) from disposals of E&C businesses	**$ 77**	$ –	**$ (235)**	$ 857
Net gain on disposal of the head office building (Note 18)	**–**	–	**–**	101,531
Net class action lawsuits settlement expense, after income taxes (Note 13B)	**–**	–	**(64,504)**	–
Excluding the items listed above	**76,508**	29,025	**156,056**	59,330
Net income attributable to SNC-Lavalin shareholders from E&C	**76,585**	29,025	**91,317**	161,718
Net gain on disposals/partial disposal of Capital investments (Note 4A)	**–**	26,469	**58,403**	31,872
Highway 407 ETR dividends	**39,266**	36,066	**115,170**	105,671
Excluding the items listed above	**4,892**	12,016	**16,936**	30,418
Net income attributable to SNC-Lavalin shareholders from Capital	**44,158**	74,551	**190,509**	167,961
Net income attributable to SNC-Lavalin shareholders for the period	**$ 120,743**	$ 103,576	**$ 281,826**	$ 329,679

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues by geographic area according to project location:

	THREE MONTHS ENDED SEPTEMBER 30, 2018			NINE MONTHS ENDED SEPTEMBER 30, 2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	$ 666,911	$ 60,685	$ 727,596	$ 1,958,491	$ 172,187	$ 2,130,678
United States	427,881	762	428,643	1,253,739	1,940	1,255,679
Latin America	130,113	–	130,113	318,279	–	318,279
Middle East and Africa:						
Saudi Arabia	229,697	–	229,697	723,560	–	723,560
Other Middle East countries	269,365	–	269,365	669,253	–	669,253
Africa	153,785	–	153,785	348,480	–	348,480
Asia Pacific:						
Australia	117,389	–	117,389	462,490	–	462,490
Other	53,612	–	53,612	169,463	–	169,463
Europe:						
United Kingdom	370,791	–	370,791	1,214,687	–	1,214,687
Other	81,999	–	81,999	228,934	–	228,934
	$ 2,501,543	$ 61,447	$ 2,562,990	$ 7,347,376	$ 174,127	$ 7,521,503

In the three-month and nine-month periods ended September 30, 2018, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

The following table presents revenues by type of contracts:

	THREE MONTHS ENDED SEPTEMBER 30, 2018			NINE MONTHS ENDED SEPTEMBER 30, 2018		
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS	TOTAL
Mining & Metallurgy	$ 39,453	$ 141,959	$ 181,412	$ 113,368	$ 319,644	$ 433,012
Oil & Gas	501,396	161,333	662,729	1,432,220	530,656	1,962,876
Nuclear	216,355	1,157	217,512	674,876	6,014	680,890
Clean Power	29,555	56,111	85,666	91,964	150,030	241,994
Thermal Power	4,511	5,005	9,516	17,558	46,153	63,711
Infrastructure	241,448	313,069	554,517	744,813	827,002	1,571,815
EDPM	785,467	–	785,467	2,379,638	–	2,379,638
Revenue from contracts with customers - Total E&C segments	1,818,185	678,634	2,496,819	5,454,437	1,879,499	7,333,936
Revenue from contracts with customers - Capital segment			4,724			13,440
Other revenue - Capital segment			61,447			174,127
	$ 1,818,185	$ 678,634	$ 2,562,990	$ 5,454,437	$ 1,879,499	$ 7,521,503

4. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in infrastructure concessions for public services such as airports, bridges, public service buildings, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") are all accounted for under the financial asset model.

In order to provide the reader of the financial statements with a better understanding of the financial position and results of operations of its Capital investments, the Company presents certain distinct financial information related specifically to its Capital investments throughout its financial statements, as well as additional information below.

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group ("MHIG") and its holding company to SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership").

Net gain on disposal of MHIG

NINE MONTHS ENDED SEPTEMBER 30		2018
Consideration received in cash	$	92,214
Consideration received in equity instruments of the SNCL IP Partnership		23,054
Total consideration received		115,268
Net assets disposed of [1]		(50,792)
Disposition-related costs		(1,762)
Gain on disposal of MHIG		**62,714**
Income taxes		(4,311)
Net gain on disposal of MHIG	**$**	**58,403**

[1] Net assets disposed of mainly included a loan receivable of $88.9 million, a Capital investment accounted for by the equity method of $17.5 million, a deferred income tax liability of $59.3 million and other current net assets of $3.7 million.

ASTORIA PROJECT PARTNERS II LLC

On August 28, 2018, SNC-Lavalin announced that it has reached an agreement to sell its ownership interest in Astoria Project Partners II LLC, the legal entity that owns and operates the Astoria II power plant in New York City. The purchaser, NM Harbert Astoria LLC, is a limited liability company, owned by affiliates of Northwestern Mutual and Harbert Management Corporation. This transaction is subject to customary power sector regulatory approvals. Accordingly, SNC-Lavalin presents its investment in Astoria Project Partners II LLC, for which the net book value is $54.3 million as at September 30, 2018, as an asset of disposal group held for sale in its consolidated statement of financial position (see Note 15).

II) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

On June 30, 2017, SNC-Lavalin announced the launch of SNC-Lavalin Infrastructure Partners LP, established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI SICAV S.A. ("BBGI"). The SNCL IP Partnership would hold 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies.

On September 28, 2017, BBGI subscribed to units of the SNCL IP Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership ("Okanagan"), InTransit BC Limited Partnership ("InTransit"), Chinook Roads Partnership ("Chinook") and Rainbow Hospital Partnership ("Rainbow") and contemporaneously SNC-Lavalin transferred to the SNCL IP Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. ("MHIG"), was transferred to the SNCL IP Partnership on June 28, 2018, as mentioned above.

4. CAPITAL INVESTMENTS (CONTINUED)

Net gain on partial disposal of the SNCL IP Partnership

NINE MONTHS ENDED SEPTEMBER 30		2017
Consideration received	$	98,774
Net assets disposed of		(48,682)
Cumulative share of other comprehensive loss of investments accounted for by the equity method reclassified from equity		(30,977)
Carrying amount of the investment retained in the SNCL IP Partnership		9,736
Gain attributable to measuring the investment retained in the SNCL IP Partnership at its fair value		14,957
Disposition-related costs		(7,133)
Gain on partial disposal of the SNCL IP Partnership		36,675
Income taxes		(10,206)
Net gain on partial disposal of the SNCL IP Partnership	**$**	**26,469**

On September 28, 2017, excluding the BBGI's subscription, major classes of assets and liabilities of the SNCL IP Partnership were as follows:

		SEPTEMBER 28 2017
Cash and cash equivalents	$	8,882
Restricted cash		3,347
Other current assets		11,104
Capital investments accounted for by the equity method		27,812
Other non-current assets		215,417
Assets disposed of		266,562
Current liabilities		44,622
Non-current liabilities		173,258
Liabilities disposed of		217,880
Net assets disposed of	**$**	**48,682**

Net cash inflow on partial disposal of the SNCL IP Partnership

NINE MONTHS ENDED SEPTEMBER 30		2017
Consideration received in cash	$	98,774
Less: cash and cash equivalents balances disposed of		(8,882)
Net cash inflow on partial disposal of the SNCL IP Partnership	**$**	**89,892**

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 30, 2017, the joint venture McGill Healthcare Infrastructure Group, in which SNC-Lavalin previously held a 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of $109.3 million (the "Subordinated Loan") was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for total cash consideration of $23.3 million.

Gain on equity transaction of MHIG

NINE MONTHS ENDED SEPTEMBER 30		2017
SNC-Lavalin's share of the contribution by the other investor in MHIG	$	5,052
Cost of deemed disposal of 10% of ownership interest in MHIG		(2,480)
Gain before income taxes		2,572
Income taxes		–
Net gain on equity transaction of MHIG	**$**	**2,572**

4. CAPITAL INVESTMENTS (CONTINUED)

Gain on Subordinated Loan transaction

NINE MONTHS ENDED SEPTEMBER 30	2017
Consideration received	$ 23,270
Carrying amount of the Subordinated Loan sold to the other investor	(18,218)
Carrying amount of the reimbursed Subordinated Loan	(2,221)
Gain before income taxes	2,831
Income taxes	–
Net gain on Subordinated Loan transaction	**$ 2,831**

For the nine-month period ended September 30, 2017, the gain on partial disposal of MHIG is presented in the Company's consolidated income statement as follows:

NINE MONTHS ENDED SEPTEMBER 30	2017
Gain on equity transaction of MHIG	$ 2,572
Gain on Subordinated Loan transaction	2,831
Gain on partial disposal of MIHG	**$ 5,403**

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company's consolidated statement of financial position includes the following net assets (liabilities) from its consolidated Capital investments and net book value from its Capital investments accounted for by the equity and cost methods.

	SEPTEMBER 30 2018	DECEMBER 31 2017
Net liabilities from Capital investments accounted for by the consolidation method	**$ (13,110)**	$ (36,099)
Net book value of Capital investments accounted for by the equity method [1]	**351,094**	296,664
Net book value of Capital investments accounted for by the cost method [2]	**487**	55,614
Total net book value of Capital investments	**$ 338,471**	$ 316,179

[1] Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at September 30, 2018 and December 31, 2017.

[2] Excludes the Company's investment in Astoria Project Partners II LLC as at September 30, 2018, which is included in "Assets of disposal group classified as held for sale and assets held for sale" (see Note 15).

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. The accounting conditions required to recognize a liability in relation to this agreement have not been met yet as at September 30, 2018 and December 31, 2017.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30	**2018**			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 20,883**	**$ –**	**$ 20,883**	$ 15,282	$ –	$ 15,282
Limited recourse	**18,234**	**–**	**18,234**	22,816	–	22,816
Non-recourse	**700**	**4,003**	**4,703**	–	5,150	5,150
Other	**1,026**	**(8)**	**1,018**	1,194	12	1,206
Financial expenses	**40,843**	**3,995**	**44,838**	39,292	5,162	44,454
Financial income	**(2,068)**	**(17)**	**(2,085)**	(6,265)	(2,369)	(8,634)
Net foreign exchange losses (gains)	**980**	**288**	**1,268**	5,241	(194)	5,047
Financial income and net foreign exchange losses (gains)	**(1,088)**	**271**	**(817)**	(1,024)	(2,563)	(3,587)
Net financial expenses	**$ 39,755**	**$ 4,266**	**$ 44,021**	$ 38,268	$ 2,599	$ 40,867

5. NET FINANCIAL EXPENSES (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 55,267**	**$ –**	**$ 55,267**	$ 26,230	$ –	$ 26,230
Limited recourse	**66,346**	**–**	**66,346**	22,816	–	22,816
Non-recourse	**700**	**11,684**	**12,384**	–	17,094	17,094
Other	**(1,830)**	**–**	**(1,830)**	9,953	12	9,965
Financial expenses	**120,483**	**11,684**	**132,167**	58,999	17,106	76,105
Financial income	**(6,293)**	**(4,422)**	**(10,715)**	(9,203)	(8,118)	(17,321)
Net foreign exchange losses (gains)	**1,760**	**(66)**	**1,694**	8,999	(324)	8,675
Financial income and net foreign exchange losses (gains)	**(4,533)**	**(4,488)**	**(9,021)**	(204)	(8,442)	(8,646)
Net financial expenses	**$ 115,950**	**$ 7,196**	**$ 123,146**	$ 58,795	$ 8,664	$ 67,459

6. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and nine-month periods ended September 30, 2018 and 2017 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Weighted average number of outstanding shares - basic	**175,554**	174,893	**175,537**	158,675
Dilutive effect of stock options	**65**	96	**73**	126
Weighted average number of outstanding shares - diluted	**175,619**	174,989	**175,610**	158,801

In the third quarters and nine-month periods ended September 30, 2018 and 2017, all outstanding stock options have been included in the computation of diluted earnings per share.

7. DIVIDENDS

During the nine-month period ended September 30, 2018, the Company recognized as distributions to its equity shareholders dividends of $151.1 million or $0.861 per share (2017: $130.0 million or $0.819 per share).

NINE MONTHS ENDED SEPTEMBER 30	**2018**	2017
Dividends payable at January 1	**$ –**	$ –
Dividends declared during the period	**151,137**	130,043
Dividends paid during the period	**(151,137)**	(130,043)
Dividends payable at September 30	**$ –**	$ –

8. REDEMPTION OF SHARES

In the second quarter of 2018, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2018. In the notice, SNC-Lavalin stated that a maximum of 1,500,000 common shares may be purchased for cancellation, on the open market. Purchases may commence on June 6, 2018 and will terminate no later than June 5, 2019. For the period from June 6, 2017 to June 5, 2018, the number of common shares subject to the issuer bid was 1,500,000 common shares.

There was no redemption of shares in the first nine months of 2018 and 2017.

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2018 and December 31, 2017:

		SEPTEMBER 30 2018		DECEMBER 31 2017
Exchange differences on translating foreign operations	$	100,384	$	266,497
Available-for-sale financial assets		–		8,874
Cash flow hedges		(9,788)		(566)
Share of other comprehensive income of investments accounted for by the equity method		3,663		3,169
Other components of equity	$	94,259	$	277,974

- Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal. Exchange differences also include gains and losses on the hedging instrument, if any, relating to the effective portion of hedges of net investments of foreign operations, which are reclassified to net income on the disposal of the foreign operation.
- Prior to January 1, 2018, Available-for-sale financial assets component arose upon the revaluation of available-for-sale financial assets. When a revalued financial asset was sold, the portion of the component that related to that financial asset, and was effectively realized, was recognized in net income. When a revaluated financial asset was impaired, the portion of the component that related to that financial asset was recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's share of the other comprehensive income (loss) from its investments accounted for by the equity method.

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2018 and 2017:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ 290,066**	$ 367,687	**$ 266,497**	$ 389,726
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**–**	–	**14,322**	–
Current period losses	**(202,534)**	(260,396)	**(167,100)**	(282,435)
Net investment hedge - current period gains (losses)	**12,852**	3,382	**(13,335)**	3,382
Balance at end of period	**100,384**	110,673	**100,384**	110,673
Available-for-sale financial assets:				
Balance at beginning of period	**–**	4,263	**8,874**	2,384
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**–**	–	**(8,874)**	–
Current period gains (losses) [(1)]	**–**	(2,953)	**–**	81
Income taxes relating to current period gains (losses)	**–**	(259)	**–**	(1,811)
Reclassification to net income [(1)]	**–**	3,125	**–**	3,522
Balance at end of period	**–**	4,176	**–**	4,176
Cash flow hedges:				
Balance at beginning of period	**(7,341)**	10,688	**(566)**	6,695
Current period losses	**(1,499)**	(14,036)	**(9,134)**	(7,140)
Income tax relating to current period losses	**(1,430)**	2,492	**1,445**	795
Reclassification to net income	**(208)**	(9,238)	**(1,821)**	(11,939)
Income taxes relating to amounts reclassified to net income	**690**	529	**288**	2,024
Reclassification to goodwill (Note 16D)	**–**	2,691	**–**	2,691
Balance at end of period	**(9,788)**	(6,874)	**(9,788)**	(6,874)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**3,096**	(39,396)	**3,169**	(39,788)
Current period share	**771**	7,547	**507**	1,517
Income taxes relating to current period share	**(204)**	(2,013)	**(134)**	(248)
Reclassification to net income	**–**	47,681	**165**	53,364
Income taxes relating to amounts reclassified to net income	**–**	(12,697)	**(44)**	(13,723)
Balance at end of period	**3,663**	1,122	**3,663**	1,122
Other components of equity	**$ 94,259**	$ 109,097	**$ 94,259**	$ 109,097

(1) For the third quarter and nine-month period ended September 30, 2017, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to \$3.1 million and to \$3.5 million, respectively, and the loss arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$3.1 million and to \$3.5 million, respectively.

B) ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

Remeasurement recognized in other comprehensive income

The following table provides changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters ended September 30, 2018 and 2017:

THREE MONTHS ENDED SEPTEMBER 30	**2018**			2017		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ 13,581**	**$ (2,948)**	**$ 10,633**	$ (73,973)	$ 11,023	$ (62,950)
Gains (losses) recognized during the period	**35,080**	**(5,817)**	**29,263**	85,488	(14,450)	71,038
Cumulative amount at end of period	**$ 48,661**	**$ (8,765)**	**$ 39,896**	$ 11,515	$ (3,427)	$ 8,088

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the nine-month periods ended September 30, 2018 and 2017:

NINE MONTHS ENDED SEPTEMBER 30	**2018**			2017		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (52,176)**	**$ 8,278**	**$ (43,898)**	$ (74,020)	$ 10,096	$ (63,924)
Gains (losses) recognized during the period	**100,837**	**(17,043)**	**83,794**	85,535	(13,523)	72,012
Cumulative amount at end of period	**$ 48,661**	**$ (8,765)**	**$ 39,896**	$ 11,515	$ (3,427)	$ 8,088

Financial assets at fair value through other comprehensive income

THREE MONTHS ENDED SEPTEMBER 30	**2018**			2017		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (189)**	**$ 25**	**$ (164)**	$ –	$ –	$ –
Gains (losses) recognized during the period	**210**	**27**	**237**	–	–	–
Cumulative amount at end of period	**$ 21**	**$ 52**	**$ 73**	$ –	$ –	$ –

NINE MONTHS ENDED SEPTEMBER 30	**2018**			2017		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ –**	**$ –**	**$ –**	$ –	$ –	$ –
Gains (losses) recognized during the period	**21**	**52**	**73**	–	–	–
Cumulative amount at end of period	**$ 21**	**$ 52**	**$ 73**	$ –	$ –	$ –

10. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

The following table presents the items to reconcile net income to cash flows from operating activities presented in the statements of cash flows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Depreciation of property and equipment and amortization of other non-current assets:				
From E&C	**$ 74,113**	$ 59,296	**$ 236,948**	$ 116,434
Income taxes recognized in net income	**20,381**	39,186	**18,646**	45,441
Net financial expenses recognized in net income (Note 5)	**44,021**	40,867	**123,146**	67,459
Share-based expense	**751**	11,127	**25,086**	32,282
Income from Capital investments accounted for by the equity method	**(52,552)**	(45,766)	**(150,350)**	(145,329)
Dividends and distributions received from Capital investments accounted for by the equity method	**39,467**	36,458	**120,129**	112,089
Net change in provisions related to forecasted losses on certain contracts	**3,947**	(17,827)	**(40,916)**	(41,674)
Gain on disposal/partial disposals of Capital investments (Note 4A)	**–**	(36,675)	**(62,714)**	(42,078)
Remeasurement of a foreign exchange option (Note 16D)	**–**	–	**–**	48,727
Restructuring costs recognized in net income	**1,952**	1,661	**4,533**	26,792
Restructuring costs paid	**(6,076)**	(28,684)	**(18,658)**	(74,671)
Loss (gain) from disposals of E&C businesses	**(77)**	–	**235**	(1,006)
Gain on disposal of the head office building (Note 18)	**–**	–	**–**	(115,101)
Net class action lawsuits settlement (Note 13B)	**(1,200)**	–	**86,800**	–
Other	**(4,823)**	8,765	**(52,087)**	(1,007)
Other reconciling items	**$ 119,904**	$ 68,408	**$ 290,798**	$ 28,358

10. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Decrease (increase) in trade receivables	**$ (14,238)**	$ (128,017)	**$ 79,362**	$ (64,761)
Increase in contract assets	**(324,710)**	–	**(600,047)**	–
Decrease (increase) in contracts in progress	**–**	139,116	**–**	(216,026)
Decrease (increase) in inventories	**14,010**	(1,298)	**11,659**	323
Decrease (increase) in other current financial assets	**(7,383)**	7,926	**(16,963)**	107,041
Decrease (increase) in other current non-financial assets	**16,290**	(17,427)	**(17,225)**	(97,160)
Increase (decrease) in trade payables	**11,227**	(236,590)	**(47,877)**	(195,741)
Increase in contract liabilities	**135,641**	–	**89,795**	–
Decrease in downpayments on contracts	**–**	(32,846)	**–**	(36,755)
Decrease in deferred revenues	**–**	(128,763)	**–**	(275,100)
Decrease in other current financial liabilities	**(2,248)**	(6,322)	**(14,855)**	(18,141)
Decrease in other current non-financial liabilities	**(17,385)**	(31,065)	**(112,214)**	(62,568)
Net change in non-cash working capital items	**$ (188,796)**	$ (435,286)	**$ (628,365)**	$ (858,888)

C) CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT

NINE MONTHS ENDED SEPTEMBER 30	**2018**		
RECOURSE DEBT	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Revolving Facility	$ 965,981	$ (929,663)	$ (1,585)
Term Facility	–	(397,553)	–
Term Loan (Note 14B)	500,000	–	(1,375)
Debentures maturing in 2020	–	–	(357)
Debentures maturing in 2019, 2021 and 2023 (Note 14A)	523,713	–	(800)
Debentures maturing in 2019 (Note 14A)	149,850	–	(158)
Bank overdraft	26,730	–	–
Total	**$ 2,166,274**	**$ (1,327,216)**	**$ (4,275)**

10. STATEMENTS OF CASH FLOWS (CONTINUED)

D) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2018:

	Recourse debt [1]	Limited recourse debt	Non-recourse debt [2]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [3]	Other non-current non-financial liabilities [3]
Balance at January 1, 2018	$ 1,345,539	$ 1,475,177	$ 312,964	$ –	$ 15,425	$ 53,367
Changes arising from cash flows:						
Increase	2,166,274	–	92,029	–	6,445	11,279
Repayment	(1,331,491)	(500,000)	(7,243)	(151,137)	(1,886)	(11,700)
Total - changes arising from cash flows	834,783	(500,000)	84,786	(151,137)	4,559	(421)
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	151,137	–	–
Effect of foreign currency exchange differences	37,809	–	(248)	–	(142)	55
Amortization of deferred financing costs and discounts	4,736	4,251	730	–	–	–
Loss on derivatives used for hedges	–	–	–	–	6,241	–
Measurement of a loan from a non-controlling interest at its initial fair value (Note 14E)	–	–	(5,155)	–	–	–
Contingent consideration related to the Linxon transaction (Note 16C)	–	–	–	–	16,470	–
Balance at September 30, 2018	**$ 2,222,867**	**$ 979,428**	**$ 393,077**	**$ –**	**$ 42,553**	**$ 53,001**

(1) Recourse short-term debt and recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	SEPTEMBER 30 2018	JANUARY 1 2018
Recourse short-term debt	$ 1,051,725	$ 318,757
Recourse long-term debt	1,171,142	1,026,782
Total	**$ 2,222,867**	**$ 1,345,539**

(2) Non-recourse short-term debt and long-term debt were presented in the Company's consolidated statements of financial position as follows:

	SEPTEMBER 30 2018	JANUARY 1 2018
Non-recourse short-term debt from Capital investments	$ 53,697	$ 15,566
Non-recourse short-term debt from E&C	2,516	–
Non-recourse short-term debt	56,213	15,566
Non-recourse long-term debt from Capital investments	292,004	297,398
Non-recourse long-term debt from E&C	44,860	–
Non-recourse long-term debt	336,864	297,398
Total	**$ 393,077**	**$ 312,964**

(3) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

NINE MONTHS ENDED SEPTEMBER 30	2018
Other non-current financial liabilities	$ 4,559
Other non-current non-financial liabilities	(421)
Other	136
Total	**$ 4,274**

10. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2017:

	Recourse debt	Limited recourse debt	Non-recourse debt from Capital investments [1]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [2]	Other non-current non-financial liabilities [2]
Balance at January 1, 2017	$ 349,369	$ –	$ 493,582	$ –	$ 5,928	$ 15,846
Changes arising from cash flows:						
Increase	1,659,169	1,500,000	–	–	1,906	8,888
Repayment	(979,301)	(26,648)	(5,969)	(130,043)	(312)	(1,477)
Total - changes arising from cash flows	679,868	1,473,352	(5,969)	(130,043)	1,594	7,411
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	130,043	–	–
Effect of foreign currency exchange differences	(19,358)	–	633	–	(480)	(4)
Amortization of deferred financing costs and discounts	5,137	866	660	–	–	–
Reclassification of deferred financing costs and discounts previously included in "Other current non-financial assets"	(8,128)	–	–	–	–	–
Non-current portion of deferred tenant allowance related to the disposal of the head office building	–	–	–	–	–	24,814
Additions through a business combination	517,759	–	–	–	5,907	–
Disposal of a Capital investment accounted for by the consolidation method	–	–	(181,541)	–	–	–
Balance at September 30, 2017	**$ 1,524,647**	**$ 1,474,218**	**$ 307,365**	**$ –**	**$ 12,949**	**$ 48,067**

[1] Non-recourse short-term debt and long-term debt from Capital investments were presented in the Company's consolidated statements of financial position as follows:

	SEPTEMBER 30 2017	JANUARY 1 2017
Non-recourse short-term debt from Capital investments	$ 15,314	$ 21,011
Non-recourse long-term debt from Capital investments	292,051	472,571
Total	**$ 307,365**	**$ 493,582**

[2] Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

NINE MONTHS ENDED SEPTEMBER 30	2017
Other non-current financial liabilities	$ 1,594
Other non-current non-financial liabilities	7,411
Other	2,996
Total	**$ 12,001**

E) SHARES ISSUED IN EXCHANGE OF SUBSCIPTION RECEIPTS

The acquisition of WS Atkins plc (see Note 16A) in the third quarter of 2017 was partially financed using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters and a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec. The issuance of 24,880,000 common shares, which the net book value amounted to $1,234.7 million, in exchange of subscription receipts resulted in cash proceeds of $1,220.8 million for the three-month period ended September 30, 2017.

11. RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its associates and joint ventures, mainly its Capital investments. Investments in which SNC-Lavalin has significant influence or joint control, which are accounted for by the equity method, are considered related parties.

Consistent with IFRS, intragroup profits generated from revenues with investments accounted for by the equity or consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the investment. Profits generated from transactions with investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

INVESTMENT	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
Capital investments accounted for under IFRIC 12	Consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the Capital investment through the contractual agreement with its client.
	Equity method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the Capital investment through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the third quarter and the first nine months of 2018, SNC-Lavalin recognized E&C revenues of $283.6 million (2017: $288.7 million) and $835.2 million (2017: $712.5 million), respectively, from contracts with investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from Capital investments accounted for by the equity method of $52.6 million for the third quarter of 2018 (2017: $45.8 million) and $150.4 million for the nine-month period ended September 30, 2018 (2017: $145.3 million), respectively.

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $106.3 million as at September 30, 2018 (December 31, 2017: $77.6 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $123.0 million as at September 30, 2018 (December 31, 2017: $103.6 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million at September 30, 2018 (December 31, 2017: $98.0 million).

In the second quarter of 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely the SNCL IP Partnership, which resulted in a gain on disposal of $62.7 million before income taxes ($58.4 million after income taxes) (see Note 4A).

All of these related party transactions are measured at fair value.

12. FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial assets held by SNC-Lavalin at September 30, 2018 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2018					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	FVTOCI [2]	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 735,915	$ –	$ –	$ –	$ 735,915	$ 735,915
Restricted cash	21,773	–	–	–	21,773	21,773
Trade receivables	–	–	1,425,756	–	1,425,756	1,425,756
Other current financial assets	6,900	–	143,486	27,059	177,445	177,445
Capital investments accounted for by the cost method	–	487	–	–	487	487
Non-current portion of receivables under service concession arrangements [3]	–	–	324,064	–	324,064	333,926
Other non-current financial assets [3]	–	680	18,498	3,167	22,345	22,345
Total	$ 764,588	$ 1,167	$ 1,911,804	$ 30,226	$ 2,707,785	

(1) Fair value through profit or loss ("FVTPL")

(2) Fair value through other comprehensive income ("FVTOCI")

(3) For non-current portion of receivables under service concession arrangements and most of the other non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

12. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the carrying value of financial assets held by SNC-Lavalin at December 31, 2017 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2017					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 706,531	$ –	$ –	$ –	$ 706,531	$ 706,531
Restricted cash	20,932	–	–	–	20,932	20,932
Trade receivables	–	–	1,445,859	–	1,445,859	1,445,859
Other current financial assets	5,271	–	399,262	37,967	442,500	442,500
Capital investments accounted for by the cost method [2]	–	55,058	556	–	55,614	See [2]
Non-current portion of receivables under service concession arrangements [3]	–	–	273,340	–	273,340	291,238
Other non-current financial assets [3]	7,602	–	22,167	14,552	44,321	44,321
Total	$ 740,336	$ 55,058	$ 2,141,184	$ 52,519	$ 2,989,097	

(1) Fair value through profit or loss ("FVTPL"), comprised of financial assets classified as held for trading.

(2) These available-for-sale financial assets represented mainly equity instruments that did not have a quoted market price in an active market.

(3) For non-current portion of receivables under service concession arrangements and most of the other non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at September 30, 2018 and December 31, 2017 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	**2018**				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [1]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ –**	**$ 2,192,640**	**$ 2,192,640**	**$ 2,192,640**
Other current financial liabilities	**25,496**	**–**	**230,223**	**255,719**	**255,719**
Provisions	**–**	**–**	**37,919**	**37,919**	**37,919**
Short-term debt and long-term debt [2]	**–**	**–**	**3,595,372**	**3,595,372**	**3,615,877**
Other non-current financial liabilities	**7,903**	**17,601**	**17,049**	**42,553**	**42,553**
Total	**$ 33,399**	**$ 17,601**	**$ 6,073,203**	**$ 6,124,203**	

(1) Fair value through profit or loss ("FVTPL")

AT DECEMBER 31	2017			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,176,947	$ 2,176,947	$ 2,176,947
Downpayments on contracts	–	149,388	149,388	149,388
Other current financial liabilities	20,775	243,949	264,724	264,724
Provisions	–	52,519	52,519	52,519
Short-term debt and long-term debt [2]	–	3,133,680	3,133,680	3,178,071
Other non-current financial liabilities	1,303	14,122	15,425	15,425
Total	$ 22,078	$ 5,770,605	$ 5,792,683	

(2) The fair value of short-term debt and long-term debt was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the Capital investments, depending on which entity has issued the debt instrument, for debt with the similar terms and conditions.

For the nine-month periods ended September 30, 2018 and 2017, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

13. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below.

Charges and RCMP investigations

On February 19, 2015, the Royal Canadian Mounted Police (the "RCMP") and the Public Prosecution Service of Canada ("PPSC") laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under Section 380 of the Criminal Code (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA"), (the "Charges"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges commenced October 29, 2018. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

In September 2018, amendments to the Criminal Code came into effect introducing new provisions allowing the settlement of certain types of charges against a corporation (including certain charges related to the CFPOA, such as those of which the Company has been accused) through a remediation agreement. The Company has been advised by the Director of the PPSC that at this time it will not be invited by PPSC to negotiate a remediation agreement in relation to the Charges and in accordance with these new provisions.

On October 19, 2018, the Company filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC.

On October 29, 2018, the preliminary inquiry into the criminal charges against the Company commenced before the Court of Quebec. The purpose of the preliminary inquiry is to determine if there is sufficient evidence to set the matter down for a full trial. Depending on the outcome of the preliminary inquiry, the Company may seek a further review of the decision of the Court of Quebec. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement, it also has defences to the Charges and will pursue those vigorously in the context of the preliminary inquiry, any resulting trial and any applicable appeals thereof.

13. CONTINGENT LIABILITIES (CONTINUED)

The Charges and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the Charges could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue (and an even larger percentage of its annual Canadian revenue) from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) could have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

The Company also understands that an RCMP investigation, relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier bridge by a consortium which included SNC-Lavalin and which led to a guilty plea by the former head of the Canada Federal Bridges Corporation in 2017, continues and its scope may include the Company.

AMF Investigation; AMF Certification under the Quebec Act Respecting Contracting by Public Bodies

The Company understands that there is an ongoing investigation being conducted in the context of applicable securities laws and regulations by the securities regulator in the Province of Quebec, the Autorité des marchés financiers (the "AMF").

Certain subsidiaries of the Company require certification from the AMF, subject to periodic renewal, to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to a project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries (the "African Development Bank Settlement"). The African Development Bank Settlement requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

13. CONTINGENT LIABILITIES (CONTINUED)

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the CFPOA, among others. Some of the offences qualifying for ineligibility include: bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct.

If a supplier is charged with a listed offence (as is presently the case with the Company), it may under the Integrity Regime be ineligible to do business with the Canadian government while legal proceedings are ongoing.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government.

The Company has signed an administrative agreement with Public Services and Procurement (PSP) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate this risk.

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On July 10, 2018, Mr. Ben Aïssa pleaded guilty to the charge of using a forged document in exchange for other charges being dropped, and was accordingly sentenced to 51 months incarceration. Charges against other accused, including Mr. Duhaime, remain outstanding and are scheduled for a 9-month trial beginning January 2019.

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and was awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. The Company has received all amounts due under this award.

The Company is currently unable to determine when any of the above investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate and communicate with authorities in connection with all ongoing investigations as noted above, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

13. CONTINGENT LIABILITIES (CONTINUED)

The outcomes of the above investigations or the Charges could also result in, among other things, i) covenant defaults under various project contracts, ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities. In addition, the Charges, these investigations and outcomes of these investigations or Charges and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of the Charges or these investigations may affect the course of the class action lawsuits (described below).

Due to the uncertainties related to the outcome of the Charges and each of the above investigations, the Company is currently unable to reliably estimate an amount of potential liabilities or a range of potential liabilities, if any, in connection with the Charges or any of these investigations.

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above and ongoing related matters which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with these investigations including substantial fees of lawyers and other advisors. In addition, the Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

B) CLASS ACTION LAWSUITS

The Company is subject to class actions in Quebec and Ontario commenced in 2012 on behalf of security holders (collectively, the "Actions"). The Actions were brought pursuant to the secondary market civil liability provisions in the various Canadian provincial and territorial securities statutes. The Actions allege the agent payments that were the subject of the Independent Review were bribes to public officials and that bribes were also offered in relation to the project in Bangladesh that forms part of the World Bank Settlement. Consequently, it was alleged that various of the Company's public disclosure documents issued between November 2009 and November 2011 included misrepresentations. The Actions sought damages, on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012, based on the decline in market value of SNC-Lavalin shares following the Company's February 28, 2012 news release and other public announcements.

On May 22, 2018, the Company announced it had reached an agreement to settle the Actions, with the Company agreeing to pay $88.0 million to the plaintiffs. The settlement is subject to the approvals of the Ontario and Quebec courts, which are expected to be confirmed before the end of 2018.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the approval applications and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. While SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacities as directors and officers, the Company does not maintain any other insurance in connection with the Actions. The amount of coverage under the directors' and officers' policy is limited and such coverage may be an insignificant portion of any amounts the Company is required or determines to pay in connection with the Actions. In the event the Company is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin's liquidity and financial results.

13. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). The appeal hearing started in October 2017 and was completed in the week of April 30th, 2018. The parties have been convoked before the Court of Appeal on December 5th, 2018 and should then know if further hearings will be necessary before the Court of Appeal takes the matter under advisement.

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, which is scheduled for trial beginning March 2019, may result in reduction of SNC-Lavalin's share of the damages.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin's total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin's liability period, as determined in the Wave 1 judgement. SNC-Lavalin also expects some insurance coverage for Wave 2 claims. In addition, SNC-Lavalin has undertaken a warranty recourse against another party with respect to Wave 2 claims.

Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings, including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

While SNC-Lavalin cannot predict with certainty the final outcome or timing of the legal proceedings described below, based on the information currently available (which in some cases remains incomplete), SNC-Lavalin believes that it has strong defences to these claims and intends to vigorously defend its position.

SNC-Lavalin Inc. has initiated court proceedings against a Canadian client stemming from engineering, procurement, and construction management services that SNC-Lavalin Inc. provided in relation to the client's expansion of an ore-processing facility. SNC-Lavalin claimed from the client certain amounts due under the project contract. The client has counterclaimed alleging that SNC-Lavalin defaulted under the project contracts and seeking damages.

WS Atkins & Partners Overseas, a subsidiary of the Company, has received a claim letter from a former customer and its insurers seeking damages on account of the alleged refurbishment costs and loss of income arising from a fire at the customer's building. WS Atkins & Partners Overseas was involved in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building.

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of these and other related proceedings generally, (b) determine if the amount included in the Company's provisions is sufficient or (c) determine the amount of any potential losses, if any, that may be incurred in connection with any final judgment on these matters.

The Company is a party to other claims and litigation arising in the normal course of operations, including by clients, subcontractors, and vendors presenting claims for, amongst other things, recovery of costs related to certain projects. Due to the inherent uncertainties of litigation and-or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. With respect to claims or litigation arising in the normal course of operations which are at a more advanced stage and which permit a better assessment of potential outcome, the Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

14. SHORT-TERM DEBT AND LONG-TERM DEBT

A) DEBENTURES ISSUED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

On March 2, 2018, the Company issued new unsecured debentures of $525.0 million aggregate principal amount. The issuance was divided in three series consisting of: i) $150.0 million in floating rate Series 2 Debentures due in March 2019 (the "Series 2 Debentures"); ii) $175.0 million in floating rate Series 3 Debentures due in March 2021 (the "Series 3 Debentures"); and iii) $200.0 million in 3.235% Series 4 Debentures due in March 2023. The Series 2 and 3 Debentures bear interest at a rate equal to the 3-month CDOR plus an applicable margin. The net proceeds were used by the Company to repay tranches 2 and 3 of its Term Facility in full and certain indebtedness outstanding under the Revolving Facility.

On June 6, 2018, the Company issued new unsecured debentures of $150.0 million aggregate principal amount (the "Series 5 Debentures"). The Series 5 Debentures due in June 2019 bear interest at a rate equal to the 3-month CDOR plus an applicable margin. SNC-Lavalin used the net proceeds of the offering to repay certain outstanding indebtedness and for general corporate purposes.

B) AMENDMENTS TO THE CREDIT AGREEMENT

On March 20, 2018, the Company amended its existing revolving credit facility for the purpose of, among other things: i) decreasing the limit applicable to tranche B of the Revolving Facility, which borrowings may be obtained only in the form of non-financial or documentary letters of credit, from $750 million to $600 million; ii) increasing the aggregate outstanding amount of bilateral letters of credit allowed under the Credit Agreement from $2,500 million to $3,000 million; and iii) extending the maturity date of the Revolving Facility from May 15, 2021 to May 15, 2022.

On April 30, 2018, the Company amended and restated in its entirety the Credit Agreement for the purpose of, among other things: i) making available a new 5-year non-revolving term loan in the principal amount of $500 million (the "Term Loan"); and ii) making other amendments to the provisions of the Credit Agreement. The net proceeds from the issuance of the Term Loan of $500 million were used by the Company to repay tranche B of its CDPQ Loan (see Note 14C).

C) CDPQ LOAN

On April, 30, 2018, the Company repaid tranche B of its CDPQ Loan, which is a limited recourse debt, in full for a total amount of $500 million (see Note 10D).

D) SENIOR SECURED NOTES

In the three-month period ended September 30, 2018, a subsidiary of the Company entered into an agreement with financial institutions allowing to issue senior secured notes of up to US$40.0 million (approximately CA$52.2 million) aggregate principal amount, of which US$33.0 million (approximately CA$43.1 million) aggregate principal amount was issued in that period. The senior secured notes due in 2026 bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.

E) LOAN AND CREDIT FACILITY GRANTED TO LINXON

In relation to the acquisition of Linxon by SNC-Lavalin in the three-month period ended September 30, 2018 (see Note 16C), the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan and provided an unsecured working capital revolving credit facility to Linxon. The loan in a principal amount of US$9.3 million (approximately CA$12.2 million) is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA$45.5 million) bears interest at a variable rate and is repayable the latest on September 30, 2022.

15. DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at September 30, 2018, the disposal group included: i) SNC-Lavalin's ownership interest in Astoria Project Partners II LLC, for which the net book value is $54.3 million; and ii) a deferred income tax liability, for which the net book value is $5.7 million.

As at December 31, 2017, the disposal group and non-current assets classified as held for sale included: i) a Capital investment accounted for by the equity method, namely MHIG, and its holding company; and ii) other non-current assets, mainly project equipment, included in the Oil & Gas segment.

The major classes of assets and liabilities of the disposal group and assets held for sale as at December 31, 2017 were as follows:

AT DECEMBER 31, 2017	MHIG	OTHER NON-CURRENT ASSETS	TOTAL
Cash and cash equivalents	$ 39	$ –	$ 39
Other current assets	1,428	–	1,428
Capital investments accounted for by the equity method	106,321	–	106,321
Other non-current assets	–	206	206
Assets of disposal group classified as held for sale and assets held for sale	107,788	206	107,994
Current liabilities	1,182	–	1,182
Non-current liabilities	59,258	–	59,258
Liabilities of disposal group classified as held for sale	60,440	–	60,440
Net assets of disposal group classified as held for sale and assets held for sale	$ 47,348	$ 206	$ 47,554

16. BUSINESS COMBINATIONS

A) WS ATKINS PLC

On July 3, 2017, SNC-Lavalin acquired WS Atkins Limited (previously WS Atkins plc). Headquartered in the United Kingdom, Atkins is a global design, engineering and project management consultancy, with a position across the infrastructure, transportation and energy sectors. The primary reasons for the acquisition were to bring to SNC-Lavalin new and complementary capabilities in its existing activities, with minimal overlap in its service offering, and to broaden the Company's presence in Europe, the U.K., Scandinavia, the U.S., the Middle East and Asia.

The acquisition of Atkins has been accounted for using the acquisition method, and Atkins has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of Atkins.

FINAL ALLOCATION OF PURCHASE PRICE

In the second quarter of 2018, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income was not material to the period subsequent to acquisition date, the cumulative adjustment to earnings was accounted for in the six-month period ended June 30, 2018.

16. BUSINESS COMBINATIONS (CONTINUED)

AT JULY 3, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS	FINAL ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 388,280		$ –	$ 388,280
Trade receivables	584,319	A	(14,780)	569,539
Contracts in progress / Contract assets	337,230	A	4,269	341,499
Other current assets	131,760	A	1,201	132,961
Other non-current assets	240,068	A	45,496	285,564
Intangible assets related to Atkins acquisition	721,756		317,283	1,039,039
Trade payables and other current liabilities	(1,018,962)	B	(181,422)	(1,200,384)
Short-term debt and long-term debt	(517,759)		–	(517,759)
Non-current liabilities and non-controlling interests	(578,400)	C	(133,730)	(712,130)
Net identifiable assets of business acquired	288,292		38,317	326,609
Goodwill [(1)]	3,219,402		(38,317)	3,181,085
Total purchase price	$ 3,507,694		$ –	$ 3,507,694

(1) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks.

The main adjustments made to the preliminary allocation of purchase price are as follows:

A. Project-related assets

The Company adjusted the initial value of project-related assets, such as trade receivables and contracts in progress / contract assets, to reflect new information obtained about facts and circumstances that existed at the date of acquisition related to these projects.

B. Trade payables and other current liabilities

The Company adjusted the initial value allocated to certain trade payables and other current liabilities, mainly on project-related liabilities and on the short-term portion of certain provisions existing at the date of acquisition.

C. Non-current liabilities and non-controlling interests

This adjustment mainly represents the impact on deferred income tax liability from adjustments discussed above, as well as adjustments made to the fair value of certain provisions existing at the date of acquisition.

The total purchase price related to the acquisition of Atkins included in the consolidated statement of cash flows is as follows:

NINE MONTHS ENDED SEPTEMBER 30	2017
Total purchase price as per above	$ 3,507,694
Less: Cash and cash equivalents at acquisition as per above	388,280
Net cash outflow on acquisition of Atkins	**$ 3,119,414**

B) DATA TRANSFER SOLUTIONS LLC

On October 31, 2017, SNC-Lavalin announced the acquisition of Data Transfer Solutions LLC ("DTS"). Completed on October 30, 2017, the acquisition added to the capabilities of SNC-Lavalin's EDPM segment and enhanced service offerings in digital asset management for clients.

The acquisition of DTS has been accounted for using the acquisition method and DTS has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of DTS.

FINAL ALLOCATION OF PURCHASE PRICE

In the six-month period ended June 30, 2018, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income was not material to the period subsequent to acquisition date, the cumulative adjustment to earnings was accounted for in the six-month period ended June 30, 2018.

16. BUSINESS COMBINATIONS (CONTINUED)

AT OCTOBER 30, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	ADJUSTMENTS	FINAL ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 1,619	$ –	$ 1,619
Trade receivables	5,492	(205)	5,287
Contracts in progress / Contract assets	3,865	(3,525)	340
Other current assets	172	–	172
Other non-current assets	1,995	(2)	1,993
Intangible assets related to DTS acquisition	–	25,145	25,145
Trade payables and other current liabilities	(4,209)	(751)	(4,960)
Net identifiable assets of business acquired	8,934	20,662	29,596
Goodwill [(1), (2)]	49,993	(20,662)	29,331
Total purchase price	$ 58,927	$ –	$ 58,927

(1) The goodwill amount determined according to the preliminary allocation of purchase price included identifiable intangible assets, which are now presented separately under "Intangible assets related to DTS acquisition" in the final allocation of purchase price.

(2) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks.

C) LINXON PVT LTD

ACQUISITION OF LINXON PVT LTD

On September 1, 2018, SNC-Lavalin acquired a 51% ownership interest in Linxon Pvt Ltd ("Linxon), incorporated under the laws of England and Wales, from a subsidiary of ABB Ltd ("ABB") for the execution of turnkey electrical substation projects. Turnkey solutions include project design, engineering, procurement, construction, management, commissioning and after-sales support. The primary reason for this business combination was to combine ABB's technology leadership with SNC-Lavalin's expertise in managing projects to deliver enhanced customer value.

The acquisition of Linxon by SNC-Lavalin has been accounted for using the acquisition method and Linxon has been consolidated from the effective date of acquisition, which is September 1, 2018, with a non-controlling interest of 49%.

FAIR VALUE OF NET IDENTIFIABLE LIABILITIES OF BUSINESS ACQUIRED

	SEPTEMBER 1 2018
Cash	$ 8,314
Trade receivables [(3)]	9,398
Contract assets	14,208
Other current and non-current assets	9,919
Trade payables	(30,403)
Contract liabilities	(9,806)
Other current and non-current liabilities	(5,793)
Fair value of net identifiable liabilities of business acquired	$ (4,163)

(3) The gross contractual amounts receivable are $9.4 million of which $nil is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Linxon, it is not practical to definitively allocate the purchase price as at September 30, 2018. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

16. BUSINESS COMBINATIONS (CONTINUED)

GOODWILL ARISING ON THE BUSINESS COMBINATION

	SEPTEMBER 1 2018
Contingent consideration to be transferred to seller [(1)]	**$ 16,470**
Plus: non-controlling interest of 49% [(2)]	**(2,040)**
Less: fair value of net identifiable liabilities of business acquired	**(4,163)**
Goodwill and other intangible assets [(3)]	**$ 18,593**

(1) Under the contingent consideration arrangement, SNC-Lavalin is required to remit a portion of its future dividends distributed in cash by Linxon, if any, to ABB for a total aggregate amount of US$25 million (approximately CA$32.6 million). The amount of $16.5 million represents the preliminary estimated fair value of this obligation at the acquisition date.

(2) The non-controlling interest recognized at the acquisition date was measured at its proportionate share of the value of net identifiable liabilities acquired.

(3) Goodwill represents the excess of the cost of acquisition and of non-controlling interest over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. The total amount of goodwill that is expected to be deductible for tax purposes is $0.3 million.

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from these items cannot be measured reliably.

NET CASH INFLOW ON ACQUISITION OF LINXON

NINE MONTHS ENDED SEPTEMBER 30	2018
Consideration paid in cash	**$ –**
Less: Cash at acquisition as per above	**8,314**
Net cash inflow on acquisition of Linxon	**$ (8,314)**

IMPACT OF THE BUSINESS ACQUISITION ON THE RESULTS OF SNC-LAVALIN

SNC-Lavalin's consolidated revenues and net income attributable to SNC-Lavalin shareholders in the three-month period ended September 30, 2018 included approximately $14.5 million and $nil, respectively, from the business acquisition of Linxon completed by SNC-Lavalin on September 1, 2018. Had the acquisition of Linxon and related acquisition-related costs occurred on January 1, 2018, SNC-Lavalin unaudited pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $7,576.8 million and $279.7 million, respectively. These unaudited pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

D) ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2018	2017	**2018**	2017
Remeasurement of a foreign exchange option	**$ –**	$ –	**$ –**	$ 48,727
Professional fees and other related costs	**10,576**	42,284	**34,067**	50,192
Acquisition-related costs and integration costs	**$ 10,576**	$ 42,284	**$ 34,067**	$ 98,919

For the nine-month period ended September 30, 2018, acquisition-related costs related to Linxon acquisition amounted to $2.0 million.

In the nine-month period ended September 30, 2017, in relation with the agreement to acquire Atkins, SNC-Lavalin entered into a foreign exchange option to hedge the foreign exchange exposure of the transaction. Until its settlement in the second quarter of 2017, this option was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income. In the nine-month period ended September 30, 2017, the loss arising from remeasurement of the foreign exchange option amounted to $48.7 million and was included in "Acquisition-related costs and integration costs" in the Company's consolidated income statement.

For the nine-month period ended September 30, 2017, acquisition-related costs related to Atkins acquisition amounted to $75.5 million.

16. BUSINESS COMBINATIONS (CONTINUED)

In addition, following the settlement of the option described above, SNC-Lavalin entered into forward foreign exchange contracts under which SNC-Lavalin sold Canadian dollars and bought British pounds having a notional value of £1,500 million. These forward foreign exchange contracts were classified as derivatives used for cash flow hedges until the payment date, which occurred in July 2017. In the nine-month period ended September 30, 2017, the effective portion of the loss arising from the hedging instruments, which amounted to $2.7 million before income taxes ($2.7 million after income taxes), was initially recognized in "Cash flow hedges" in the Company's consolidated statement of comprehensive income and was subsequently recognized as a reclassification adjustment to goodwill on the date of acquisition of Atkins.

17. GOODWILL

The following table details a reconciliation of the carrying amount of the Company's goodwill:

Balance at January 1, 2018	$ 6,323,440
Additional amount recognized from the adjustments to the final allocation of purchase price of Atkins	11,358
Amount derecognized from the adjustments to the final allocation of purchase price of DTS	(20,662)
Additional amount recognized from the Linxon transaction (Note 16C)	18,593
Net foreign currency exchange differences	(105,046)
Balance at September 30, 2018	**$ 6,227,683**

Following the Company's new organizational structure that took effect on January 1, 2018 (see Note 2C), the Company's goodwill was reallocated to the following cash-generating units ("CGU") and groups of CGU as follows:

CGU OR GROUP OF CGU	SEPTEMBER 30 2018	JANUARY 1 2018
Mining & Metallurgy	**$ 88,081**	$ 96,257
Oil & Gas	**2,762,396**	2,831,472
Infrastructure	**93,653**	93,720
O&M	**53,131**	53,134
Nuclear	**638,919**	645,797
Clean Power [1]	**32,608**	14,221
EDPM	**2,558,895**	2,588,839
	$ 6,227,683	$ 6,323,440

[1] Includes goodwill from Linxon (see Note 16C)

18. GAIN ON DISPOSAL OF THE HEAD OFFICE BUILDING

On June 22, 2017, SNC-Lavalin announced that it completed the sale of its Montreal head office building and the adjacent empty lot of land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. Concurrently, SNC-Lavalin entered into a 20 year lease for the building.

Net gain on disposal of the head office building

NINE MONTHS ENDED SEPTEMBER 30	2017
Consideration received	$ 173,288
Carrying amount of the head office building and land	(22,781)
Deferred tenant allowance	(31,017)
Deferred gain on disposal of the head office building	(2,905)
Disposition-related costs	(1,484)
Gain on disposal of the head office building	115,101
Income taxes	(13,570)
Net gain on disposal of the head office building	**$ 101,531**

19. ACQUISITION OF NON-CONTROLLING INTEREST

In the second quarter of 2017, SNC-Lavalin signed an agreement to acquire the non-controlling interest of Saudi Arabian Kentz Company Limited and to introduce a new shareholder for this entity, ultimately increasing SNC-Lavalin's ownership interest in this subsidiary from 49% to 75%. This transaction was completed in the third quarter of 2017. On the signing of the agreement, the first tranche of cash consideration of US$22.9 million (CA$31.2 million) was paid to the seller, while the second tranche of US$22.9 million (CA$28.3 million) was paid in the three-month period ended September 30, 2017 for total cash consideration of US$45.8 million (CA$59.5 million).

Excess of the consideration paid over the carrying amount

NINE MONTHS ENDED SEPTEMBER 30		2017
Consideration paid	$	59,499
Carrying amount of the acquired non-controlling interest		(23,740)
Excess of the consideration paid over the carrying amount before income taxes		35,759
Income taxes		–
Excess of the consideration paid over the carrying amount net of income taxes	**$**	**35,759**

The excess of the consideration paid over the carrying amount of the acquired non-controlling interest of $35.8 million is included in "Retained earnings" in the Company's consolidated statement of changes in equity for the nine-month period ended September 30, 2017.

20. EVENT AFTER THE REPORTING PERIOD

On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria Project Partners II LLC in exchange of total cash consideration of US$41.4 million (approximately CA$54.0 million).

SNC·LAVALIN

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